

Message Text

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SUBJECT: JAPANESE SPRING WAGE NEGOTIATIONS

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SUMMARY: NIKKEIREN WAGE GUIDEPOSTS OF 0 TO 10 PERCENT AND 15 PERCENT WAGE DEMAND BY DOMEI AND IMF-JC PRIVATE SECTOR UNIONS, BOTH ANNOUNCED LAST WEEK, HAVE SET PARAMETERS OF 1976 SPRING WAGE NEGOTIATIONS. DEP PRIME MINISTER FUKUDA CONFIRMED IN DIET DEBATE THAT IN CALCULATING JFY 1976 TAX REVENUE, GOJ ASSUMING EVENTUAL 9 PERCENT AVERAGE WAGE SETTLEMENT. AVERAGE WAGE INCREASE OF THIS MAGNITUDE SHOULD PROVIDE BASIS FOR MAINTAINING CONSUMER SPENDING AT ABOUT CURRENT LEVEL IN REAL TERMS AND SHOULD NOT REPEAT NOT REFUEL INFLATIONARY PRESSURES. END SUMMARY.

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1. NIKKEIREN (JAPANESE FEDERATION OF EMPLOYERS' ASSOCIATIONS), BUSINESS COMMUNITY'S LABOR POLICY ORGAN, RECOMMENDED JAN 26 THAT MANAGEMENT GRANT ANNUAL SPRING WAGE INCREASES OF 0 TO 10 PERCENT, BASED ON FIRM'S ABILITY TO PAY. THIS YEAR, WITH MANY COMPANIES REPORTING LARGE LOSSES, NIKKEIREN CAME UP WITH PURPOSELY BROAD "GUIDEPOSTS" SINCE SPECIFIC 15 PERCENT GUIDELINE LAST YEAR ANGUISHED COMPANIES AND INDUSTRIES UNABLE TO BEAR LOAD.

2. SOHYO'S STEELWORKERS' UNION, TRADITIONAL PACESETTER FOR ORGANIZED LABOR, JAN 28 DECIDED ON TOTAL 15.3 PERCENT WAGE DEMAND, INCLUDING AUTOMATIC 2.1 PERCENT STEP INCREASE. STEELWORKERS' PRESIDENT YOSHIJI MIYATA CRITICIZED NIKKEIREN'S GUIDEPOSTS, CLAIMING THAT IF FOLLOWED, RESULTING LOW WAGES INCREASE WILL DISCOURAGE CONSUMER SPENDING, THUS PROLONGING BUSINESS AND EMPLOYMENT SLUMP. IMPORTANTLY, HOWEVER, MIYATA WARNED HIS MEMBERS LAST NOVEMBER THAT FINAL WAGE INCREASE COULD BE WELL BELOW 15 PERCENT BECAUSE OF SERIOUS UNDEREMPLOYMENT IN STEEL INDUSTRY.

3. DOMEI AT ITS RECENT CONVENTION (REFTEL) ALSO SET 15 PERCENT TOTAL WAGE DEMAND. ANNUAL POLICY STATEMENT AND LEADERSHIP SPECIFICALLY STRESSED THAT FROM NOW ON WTE WAGE INCREASES MUST CORRESPOND TO LOW ECONOMIC GROWTH UNQTE. SOHYO, WHICH STRIPPED OF ACTIVE STEELWORKERS' PARTICIPATION IS PREDOMINATELY A CONFEDERATION OF PUBLIC SECTOR UNIONS, HAS SET WAGE INCREASE DEMAND OF OVER 20 PERCENT, BUT HAS HINTED IT WILL SETTLE QUICKLY AFTER PRIVATE SECTOR SETTLEMENTS. BOTH DOMEI AND SOHYO ARE ANXIOUS TO FINISH WAGE NEGOTIATIONS BY EARLY OR MID-APRIL SO THEY CAN TURN FULL EFFORTS TOWARD PREPARATION FOR LOWER HOUSE ELECTIONS NOW WIDELY PREDICTED FOR MAY OR JUNE.

4. IN GRILLING BEFORE LOWER HOUSE BUDGET COMMITTEE JAN 31, DEPUTY PRIME MINISTER TAKEO FUKUDA, ECONOMIC CZAR OF MIKI CABINET, INDICATED GOJ ASSUMING LIMITED OFFICIAL USE

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ABOUT 9 PERCENT WAGE INCREASE THIS YEAR. WHILE NOT AT ALL TO BUSINESS LEADERS' LIKING, GOJ ASSUMPTION APPARENTLY IS BASED ON BELIEF THAT TOO LOW WAGE INCREASE MIGHT HAVE ADVERSE EFFECT ON REVISING CONSUMER DEMAND. UNLIKE LAST YEAR, HOWEVER, FUKUDA IS PLAYING LOW-KEY, STRICTLY BEHIND SCENES ROLE, AT LEAST DURING PRESENT EARLY PHASE OF WAGE NEGOTIATIONS.

5. COMMENT: PRIVATE COMMENTS TO US BY MANAGEMENT AND LABOR REPS INDICATE CLEAR CONSENSUS THAT THIS YEAR THEY WILL QUICKLY REACH AGREEMENT ON AVERAGE WAGE INCREASE RANGING BETWEEN 8 AND 10 PERCENT. PUBLIC POSTURING BY BOTH SIDES IS, IN LARGE PART, AIMED AT CONVINCING UNION MEMBERS THAT ANY SETTLEMENT IN UPPER RANGE OF NIKKEIREN'S 0 TO 10 PERCENT GUIDEPOSTS IS A LABOR VICTORY IN FACE OF MANAGEMENT INTRANSIGENCE. AS USUAL, PRIVATE SECTOR SETTLEMENTS BY DOMEI AND IMF-JC UNIONS, LED BY STEELWORKERS', WILL SET BASIC WAGE PATTERN WHILE SOHYO PUBLIC SECTOR UNIONS, WITH LITTLE INFLUENCE ON EVENTUAL OUTCOME, WILL CONSOLE THEMSELVES WITH WELL PUBLICIZED RAIL STRIKES.

6. AVERAGE WAGE INCREASE IN 8 TO 10 PERCENT RANGE WOULD PROVIDE BASIS FOR MAINTAINING CONSUMER SPENDING AT CURRENT LEVEL IN REAL TERMS, OR EVEN SUPPORT SOME INCREASE IF CONSUMER CONFIDENCE STRENGTHENS. AT SAME TIME, IF BUSINESS RECOVERY ACCELERATES AS GOJ EXPECTS (5.6 PERCENT REAL GNP GROWTH IN JFY 76), INCREASED LABOR PRODUCTIVITY SHOULD BE SUFFICIENT TO ABSORB ACCOMPANYING INCREASE IN BUSINESS COSTS WITHOUT TRIGGERING ANOTHER ROUND OF PRICE INCREASES. HODGSON

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